

**AuTrain-Onota Public School District
Deerton, MICHIGAN**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

TABLE OF CONTENTS

Independent Auditors' Report	3
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Management's Discussion and Analysis	5
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BASIC FINANCIAL STATEMENTS

District-wide Financial Statements

Statement of Net Assets.....	12
Statement of Activities	13

Fund Financial Statements

Governmental Funds:	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.....	17
Notes to Financial Statements	18

REQUIRED SUPPLEMENTAL INFORMATION

General Fund – Budgetary Comparison Schedule	30
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OTHER SUPPLEMENTAL INFORMATION

General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	32
Nonmajor Special Revenue Funds – School Lunch Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	39

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	41
Report to Management Letter	43



ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Board of Education
AuTrain-Onota Public School District
PO Box 105
Deerton, Michigan 49822

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the AuTrain-Onota Public School District, as of and for the year ended June 30, 2007, which collectively comprise the AuTrain-Onota Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of AuTrain-Onota Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the AuTrain-Onota Public School District, as of June 30, 2007, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007, on our consideration of the AuTrain-Onota Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the

Board of Education
AuTrain-Onota Public School District
PO Box 105
Deerton, Michigan 49822

information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the AuTrain-Onota Public School District's basic financial statements. The combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 5, 2007

AuTrain-Onota Public School District Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of AuTrain-Onota Public School District financial performance provides an overview of the School District's financial activities for the year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for AuTrain-Onota Public School District as a whole were reported at \$571,252. Net assets are comprised of 100% governmental activities.
- During the year, AuTrain-Onota Public School District expenses were \$666,264, while revenues from all sources totaled \$804,204, resulting in an increase in net assets of \$137,940.
- The general fund reported an increase of \$149,640 before other financing sources (uses) and a total increase of \$135,853. This is \$12,172 or 10% higher than the forecasted increase of \$44,047.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand AuTrain-Onota Public School District financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the AuTrain-Onota Public School District as a whole begins on page 6. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – are one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

Management's Discussion and Analysis (Unaudited) (Continued)

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 8. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's *governmental* funds use the following accounting methods.

- *Governmental funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2006:

Table 1 Net Assets		
	Governmental Activities – 2007	Governmental Activities – 2006
Current and other assets	\$ 485,561	\$ 339,314
Capital assets, net	183,816	198,265
Total Assets	669,377	537,579
Current liabilities	75,310	81,803
Long-term liabilities	22,815	22,464
Total Liabilities	98,125	104,267
Net Assets:		
Invested in capital assets, net of related debt	183,816	181,703
Restricted	-	-
Unrestricted	387,436	251,609
Total Net Assets	\$ 571,252	\$ 433,312

Management's Discussion and Analysis (Unaudited) (Continued)

The School District's net assets were \$571,252 at June 30, 2007. Capital assets, net of related debt totaling \$183,816, compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$387,436 was unrestricted.

The \$387,436 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2007 and 2006.

TABLE 2
CHANGE IN NET ASSETS

	Governmental Activities – 2007	Governmental Activities – 2006
Revenues:		
Program revenues:		
Charges for services	\$ 6,736	\$ 4,773
Operating grants and contributions	122,642	96,445
General revenues:		
Property taxes	640,066	564,725
Investment earnings	15,287	10,099
Miscellaneous	19,473	18,735
Total Revenues	<u>804,204</u>	<u>694,777</u>
Program Expenses:		
Instruction	320,154	331,692
Supporting services	281,614	272,830
Community Services	9,216	11,234
Payments to other governmental units	14,903	4,771
Food service activities	40,377	37,326
Total Expenses	<u>666,264</u>	<u>657,853</u>
Increase (decrease) in net assets	137,940	36,924
Net assets, beginning	433,312	396,388
Net Assets, Ending	<u>\$ 571,252</u>	<u>\$ 433,312</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$666,264. Certain activities were partially funded from those who benefited from the programs \$6,736 or by other governments and organizations that subsidized certain programs with grants and contributions \$122,642. We paid for the remaining "public benefit" portion of our governmental activities with \$640,066 in taxes and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of \$137,940.

Management's Discussion and Analysis (Unaudited) (Continued)

Key reasons for change in net assets are as follows:

- Net increase in governmental fund balances of \$135,853
- Depreciation charged to expense of \$(14,449)
- Repayment of principal from expense to Long Term Liabilities \$16,562
- Change in accrued interest payable \$325
- Change in compensated absences \$(351)

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3 Governmental Activities		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 320,154	\$ 221,409
Supporting services	281,614	281,614
Community Services	9,216	5,173
Payments to other governmental units	14,903	14,903
Food service activities	40,377	13,787

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$410,251, an increase of \$135,853 from the beginning of the year.

The change in combined fund balance was a result of AuTrain-Onota Public Schools making a conscious effort to try and reduce spending to maintain a fund balance that will assist the School in remaining financially stable for the upcoming year.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revised its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget occurred during the annual budget reviews in January and June 2007.

Management's Discussion and Analysis (Unaudited) (Continued)

BUDGETED REVENUES

General Fund Revenues changed from original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$ 636,577</u>	<u>\$ 756,857</u>	<u>\$ 120,280</u>	<u>19%</u>

AuTrain-Onota Public School's final budgeted revenues differed from the original budget as follows:

The significant increase in revenue can be attributed mainly to grants and an increase in property tax revenues, which were received as homestead denials and tax commission orders. Grant revenues are recognized on the financial statements once the School District receives formal notice of the award and approval from the grantor. Minimal grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget.

BUDGETED EXPENDITURES

General Fund expenditures changed from the original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$ 618,793</u>	<u>\$ 619,314</u>	<u>\$ 521</u>	<u>0.01%</u>

AuTrain-Onota Public School's final budgeted expenditures differed from the original budget as follows:

The minimal increase in expenditures can be attributed to making a conscious effort to reduce spending, while at the same time adding specific expenditures related to grant approvals.

ACTUAL REVENUES

The General Fund actual revenues differed from the final budget as follows:

	Final Budget	Actual	Budget Variance	
			Amount	Percent
Total	<u>\$ 756,857</u>	<u>\$ 777,614</u>	<u>\$ 20,757</u>	<u>3%</u>

AuTrain-Onota Public School's final budgeted revenues differed from the actual revenues as follows:

The slight increase in actual revenue can be attributed to a credit from the State of Michigan, to be used for MPSERs and a Title I pass through grant that was more than anticipated.

Management's Discussion and Analysis (Unaudited) (Continued)

ACTUAL EXPENDITURES

General Fund actual expenditures differed from the final budget as follows:

	Final Budget	Actual	Budget Variance	
			Amount	Percent
Total	\$ 619,314	\$ 627,974	\$ 8,660	1%

AuTrain-Onota Public School's final budgeted expenditures differed from the actual revenues as follows:

The slight increase in actual expenditures can be attributed to a Title I pass through grant that was more than anticipated.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007 and 2006, the School District had \$198,265 and \$205,213, respectively invested in a variety of capital assets including land, buildings, and buses. (See table 4 below)

TABLE 4
Capital Assets

	Governmental Activities – 2007	Governmental Activities – 2006
Land	\$ 1,365	\$ 1,365
Land improvements	10,700	10,700
Buildings	378,255	378,255
Equipment and furnishings	5,753	5,753
Buses	100,924	100,924
Capital Assets	496,997	496,997
Less accumulated depreciation	(313,181)	(298,732)
Totals	\$ 183,816	\$ 198,265

The School District had no additions to capital assets in 2006-2007. We anticipate capital additions for the 2007-2008 fiscal years will be comparable to the 2006-2007 fiscal years.

Depreciation expense for the year was \$14,449.

Debt

At June 30, 2007 and 2006, the School District had bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2007	Governmental Activities – 2006
Notes Payable	\$ -	\$ 2,876
School Bus Loan	-	13,686
TOTAL	\$ -	\$ 16,562

Management's Discussion and Analysis (Unaudited) (Continued)

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2008 budget. One of the most important factors affecting the budget is the collection of local property taxes. Local property taxes account for approximately 80 percent of our revenue.

The collection of revenues by the State can also affect the School District's general operation budget as it did in 2007. School districts throughout the state must adjust their budgets if the State decreases the pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2007-08 school years, the state of the economy on a state and national level will be reflected in our budget.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the AuTrain-Onota Public School District Administration, P.O. Box 105, Deerton, Michigan, 49822.

AuTrain-Onota Public School District

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 439,242
Receivables:	
Accounts receivable	8,768
Due from other governmental units	37,494
Inventories	<u>57</u>
TOTAL CURRENT ASSETS	<u>485,561</u>
Non-current assets:	
Land and construction in progress	1,365
Capital assets	495,632
Less accumulated depreciation	<u>(313,181)</u>
TOTAL NON-CURRENT ASSETS	<u>183,816</u>
TOTAL ASSETS	<u>669,377</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	11,472
Accrued liabilities	51,224
Accrued interest	-
Current portion of long term debt obligations	-
Deferred revenue	<u>12,614</u>
TOTAL CURRENT LIABILITIES	<u>75,310</u>
Non-current liabilities:	
Non-current portion of long term debt obligations	-
Non-current portion of employee benefit obligations	<u>22,815</u>
TOTAL NON-CURRENT LIABILITIES	<u>22,815</u>
TOTAL LIABILITIES	<u>98,125</u>
NET ASSETS:	
Invested in capital assets net of related debt	183,816
Unrestricted	<u>387,436</u>
TOTAL NET ASSETS	<u>\$ 571,252</u>

See Notes to Financial Statements.

AuTrain-Onota Public School District

Statement of Activities

For the Year Ended June 30, 2007

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 320,154	\$ -	\$ 98,745	\$ (221,409)
Supporting services	281,614	-	-	(281,614)
Community services	9,216	-	4,043	(5,173)
Payments to others	14,903	-	-	(14,903)
Food service activities	40,377	6,736	19,854	(13,787)
TOTAL GOVERNMENTAL ACTIVITIES	686,264	6,736	122,642	(536,886)
General revenues:				
Taxes				
Property taxes, levied for general purposes				640,066
State Aid not restricted to specific purposes				-
General				15,287
Interest and investment earnings				19,473
Miscellaneous				
TOTAL GENERAL REVENUES				674,826
CHANGES IN NET ASSETS				137,940
Net Assets, July 1				433,312
NET ASSETS, JUNE 30				\$ 571,252

See Notes to Financial Statements.

AuTrain-Onota Public School District

Governmental Funds

Balance Sheet

June 30, 2007

	General Fund	Other Non-major Governmental Funds (Lunch Fund)	Total
ASSETS			
Cash and cash equivalents	\$ 443,750	\$ -	\$ 443,750
Receivables:			
Accounts receivable	8,768	-	8,768
Due from other governmental units	32,486	5,008	37,494
Due from other funds	-	-	-
Inventories	-	57	57
TOTAL ASSETS	\$ 485,004	\$ 5,065	\$ 490,069
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Overdraft - cash and cash equivalents	\$ -	\$ 4,508	\$ 4,508
Accounts payable	10,934	538	11,472
Accrued liabilities	51,205	19	51,224
Due to other funds	-	-	-
Deferred revenue	12,614	-	12,614
TOTAL LIABILITIES	74,753	5,065	79,818
FUND BALANCES:			
Unreserved	410,251	-	410,251
TOTAL FUND BALANCES	410,251	-	410,251
TOTAL LIABILITIES AND FUND BALANCES	\$ 485,004	\$ 5,065	\$ 490,069

See Notes to Financial Statements.

AuTrain-Onota Public School District

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2007

Total Fund Balances for Governmental Funds	\$	410,251
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	496,997	
Accumulated depreciation	<u>(313,181)</u>	
		183,816

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Accrued Interest Payable	-	
Current portion of long term debt obligations	-	
Non-current portion of long term debt obligations	-	
Non-current portion of employee benefit obligations	<u>22,815</u>	
		(22,815)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>571,252</u>
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AuTrain-Onota Public School District

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2007

	General Fund	Other Non-major Governmental Funds (Lunch Fund)	Total
REVENUES:			
Federal sources	\$ 48,175	\$ 17,823	\$ 65,998
State sources	35,649	2,031	37,680
Local sources:	693,790	6,736	700,526
TOTAL REVENUES	777,614	26,590	804,204
EXPENDITURES:			
Current:			
Instruction	319,803	-	319,803
Supporting Services	284,052	-	284,052
Community Services	9,216	-	9,216
Payments to others	14,903	-	14,903
Food service activities	-	40,377	40,377
TOTAL EXPENDITURES	627,974	40,377	668,351
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	149,640	(13,787)	135,853
OTHER FINANCING SOURCES (USES):			
Transfers in	-	13,787	13,787
Transfers (out)	(13,787)	-	(13,787)
TOTAL OTHER FINANCING SOURCES (USES)	(13,787)	13,787	-
NET CHANGE IN FUND BALANCES	135,853	-	135,853
Fund Balance, July 1	274,398	-	274,398
FUND BALANCE, JUNE 30	\$ 410,251	\$ -	\$ 410,251

See Notes to Financial Statements.

AuTrain-Onota Public School District

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities**

For the Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	135,853
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(14,449)	
Capital outlays - Supporting Services	<u>-</u>	(14,449)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	16,562
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Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditures is reported when due	325
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Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(351)
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Change in Net Assets of Governmental Activities	\$	<u>137,940</u>
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AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A – THE FINANCIAL REPORTING ENTITY:

The School District operates under an elected Board of Education of five (5) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the AuTrain-Onota Public Schools. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the AuTrain-Onota Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the District by various taxing units and are payable without penalty by September 1 and February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year.) Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets.

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

	Primary Government	Total
Unrestricted:		
Cash and cash equivalents	\$ 439,242	\$ 439,242
TOTALS	\$ 439,242	\$ 439,242

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State law does not require and the School does not have a deposit policy for custodial credit risk. The carrying amounts of the School's deposits with financial institutions were \$439,242 and the bank balance was \$394,871. The bank balance is categorized as follows.

Amount insured by the FDIC	\$ 100,000
Amount uncollateralized and uninsured	294,871
	<u>\$ 394,871</u>

Investments

As of June 30, 2007, the School did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School's investments. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the School to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School has no investment policy that would further limit its investment choices. Ratings are not required for the School's investment in U.S. Government Agencies or equity-type funds.

Concentration of Credit Risk

The School places no limit on the amount the School may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units consist of \$37,494 due from governmental units for the operation of special programs and grant projects.

NOTE E – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2007 as follows:

	Governmental Activities
Accrued wages	\$ 30,519
Accrued health insurance	12,929
Accrued lieu of insurance	-
Accrued retirement	5,432
Accrued payroll taxes	2,344
	<u>\$ 51,224</u>

NOTE F – ACCRUED EMPLOYEE BENEFITS:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Teachers and administration personnel have the option of being paid for one-half of accumulated sick leave days, up to a maximum of 180 accumulated days, or they may request payment of 1/10th of their final contract wage.

As of June 30, 2007, accrued employee benefits reported in the Statement of Net Assets consist of the following:

Sick Leave	\$ 798
Accrued Retirement	<u>22,018</u>
Total	<u>\$ 22,816</u>

NOTE G – CAPITAL ASSETS:

Capital asset activity of the School District's governmental activities was as follows:

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 1,365	\$ -	\$ -	\$ 1,365
Construction in progress	-	-	-	-
Total Capital assets not being depreciated	<u>1,365</u>	<u>-</u>	<u>-</u>	<u>1,365</u>
Capital assets being depreciated:				
Land improvements	10,700	-	-	10,700
Buildings and additions	378,255	-	-	378,255
Equipment and furniture	5,753	-	-	5,753
School buses	100,924	-	-	100,924
Total Capital Assets	<u>495,632</u>	<u>-</u>	<u>-</u>	<u>495,632</u>
Less accumulated depreciation:				
Land improvements	(10,700)	-	-	(10,700)
Buildings and additions	(223,191)	(6,599)	-	(229,789)
Equipment and furniture	(767)	(1,150)	-	(1,918)
School buses	(64,074)	(6,700)	-	(70,774)
Total Accumulated Depreciation	<u>(298,732)</u>	<u>(14,449)</u>	<u>-</u>	<u>(313,181)</u>
CAPITAL ASSETS, NET	<u>\$ 198,265</u>	<u>\$ (14,449)</u>	<u>\$ -</u>	<u>\$ 183,816</u>

Depreciation expense charged to supporting services was \$14,449.

NOTE H – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2006 – August 2007.

The School District also received revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE I – INTERFUND RECEIVABLES AND PAYABLES:

AuTrain-Onota Public School District reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

	DUE FROM OTHER FUNDS	
	General Fund	Total Due To Other Funds
DUE TO OTHER FUNDS		
Lunch Fund	\$ -	\$ -
Total Due From Other Funds	\$ -	\$ -

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	Transfer Out To Other Funds	
	General Fund	Total Transfer In
Transfer In From Other Funds		
Lunch Fund	\$ 13,787	\$ 13,787
Total Transfer Out	\$ 13,787	\$ 13,787

NOTE I – INTERFUND RECEIVABLES AND PAYABLES (Continued):

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE J – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$1,568 during fiscal 2007 in revenues and expenditures for USDA commodities.

NOTE K – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2006 totaled \$52,657,426 (\$19,463,953 designated as Homestead and \$33,193,473 designated as Non-Homestead). The total tax levied consists of 18.0000 mills for the General Fund.

NOTE L – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service. The MPERS also provides death, disability, health, medical, dental, and vision and hearing insurance coverage. Benefits are established by state statute.

The MPERS also provides death, disability, health, medical, dental and vision and hearing insurance coverage. Benefits are established by State Statute.

**NOTE L – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN
(Continued):**

The District was required by state statute to contribute 16.34% of covered compensation to the Plan through September 30, 2006 and 17.74% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was \$65,539 which consisted of \$56,662 from the District and \$8,877 from employees electing the MIP option. These represent approximately 17.42% and 2.73% of covered payroll, respectively. The School District's contributions to MPSERS for 2006 were \$58,173 and for 2005 \$42,713.

Payroll paid to employees covered by the System for the year ended June 30, 2007 was approximately \$325,345. The District's total payroll was approximately \$329,380.

Other Post-Employment Benefits

In addition to pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

NOTE M – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE N – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2007, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
School Bus Loan	\$ 13,685	\$ -	\$ 13,685	\$ -
Copier – Lease Purchase	2,877	-	2,877	-
Subtotal	16,562	-	16,562	-
Employee Benefits – Sick and Vacation Leave	22,464	649	297	
TOTAL LONG-TERM DEBT	\$ 39,026	\$ 649	\$ 16,859	\$ 22,816

NOTE O – EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:

The General Fund had an excess of actual total expenditures over total appropriations for the year ended June 30, 2007 which exceeded the 1% threshold as established by the Michigan Department of Education.

REQUIRED SUPPLEMENTAL INFORMATION

AuTrain-Onota Public School District

General Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 616,657	\$ 690,356	\$ 693,790	\$ 73,699	\$ 3,434
State sources	15,079	25,648	35,649	10,569	10,001
Federal sources	4,841	40,853	48,175	36,012	7,322
TOTAL REVENUES	636,577	756,857	777,614	120,280	20,757
EXPENDITURES:					
Instruction:					
Basic Instruction	261,339	256,974	258,476	4,365	(1,502)
Special Education	51,767	61,334	61,327	(9,567)	7
Total Instruction	313,106	318,308	319,803	(5,202)	(1,495)
Supporting Services:					
Pupil Supporting Services	4,850	4,455	4,455	395	-
Instructional Supporting Services	4,890	7,455	7,426	(2,565)	29
General Administration	78,480	77,909	77,326	571	583
Business Support	42,811	38,923	38,908	3,888	15
Operation and Maintenance	80,297	72,870	73,428	7,427	(558)
Pupil Transportation	77,304	80,177	79,908	(2,873)	269
Central Services	3,222	2,603	2,601	619	2
Total Supporting Services	291,854	284,392	284,052	7,462	340
Community Services:					
Direction	7,333	3,641	3,641	3,692	-
Recreation	-	595	595	(595)	-
Activities	-	4,955	4,980	(4,955)	(25)
Other	-	-	-	-	-
Total Community Services	7,333	9,191	9,216	(1,858)	(25)
Payments to Others					
Title I Pass Through	6,500	7,423	14,903	(923)	(7,480)
Total Payments to Others	6,500	7,423	14,903	(923)	(7,480)
TOTAL EXPENDITURES	618,793	619,314	627,974	(521)	(8,660)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17,784	137,543	149,640	119,759	12,097
OTHER FINANCING SOURCES (Uses)					
Transfers out	(13,671)	(13,862)	(13,787)	(191)	75
NET CHANGE IN FUND BALANCE	4,113	123,681	135,853	119,568	12,172
Fund Balance, July 1	274,398	274,398	274,398	-	-
FUND BALANCE, JUNE 30	\$ 278,511	\$ 398,079	\$ 410,251	\$ 119,568	\$ 12,172

OTHER SUPPLEMENTAL INFORMATION

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local Sources:			
Property tax levy	\$ 611,152	\$ 611,152	\$ -
National forest reserve	28,914	28,914	-
Income from investments	15,000	15,287	287
USF contribution	9,725	11,359	1,634
Miscellaneous grants	3,459	3,687	228
County special education	15,268	15,277	9
Other local revenue	6,838	8,114	1,276
Total Local Sources	<u>690,356</u>	<u>693,790</u>	<u>3,434</u>
State Sources:			
Unrestricted state	-	9,993	9,993
Restricted - received through the state			
Michigan school readiness	15,608	15,608	-
Special education	9,787	9,787	-
Math Initiative	253	261	8
Total State Sources	<u>25,648</u>	<u>35,649</u>	<u>10,001</u>
Federal Sources:			
Restricted - received through the federal government:			
REAP	14,138	14,017	(121)
Restricted - received through the state:			
Strong families, safe children	4,043	4,043	-
Fresh fruit and vegetable	450	450	-
Title I, Part A	13,090	20,570	7,480
Title V, Part A	100	100	-
Title II, Part A	4,870	4,870	-
Restricted - received through others:			
MARESA	1,554	1,517	(37)
MCISD	2,608	2,608	-
Total Federal Sources	<u>40,853</u>	<u>48,175</u>	<u>7,322</u>
TOTAL REVENUES	<u>756,857</u>	<u>777,614</u>	<u>20,757</u>
EXPENDITURES:			
Instruction:			
Basic Instruction:			
Elementary			
Salaries	145,522	145,522	-
Employee benefits	77,556	77,612	(56)
Purchased services	241	241	-
Supplies and materials	8,574	8,797	(223)
Capital outlay	2,708	3,934	(1,226)
Other expense	-	-	-
Total Elementary	<u>234,601</u>	<u>236,106</u>	<u>(1,505)</u>

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Pre-School			
Salaries	\$ 14,362	\$ 14,362	\$ -
Employee benefits	7,663	7,661	2
Purchased services	34	34	-
Supplies and materials	314	313	1
Capital outlay	-	-	-
Other expense	-	-	-
Total Pre-School	22,373	22,370	3
Total Basic Instruction	256,974	258,476	(1,502)
Added Needs			
Special Education			
Salaries	33,329	33,268	61
Employee benefits	8,058	8,361	(303)
Purchased services	2	2	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Special Education	41,389	41,631	(242)
Compensatory Education			
Salaries	11,911	11,983	(72)
Employee benefits	4,929	4,590	339
Purchased services	-	-	-
Supplies and materials	3,105	3,123	(18)
Capital outlay	-	-	-
Other expense	-	-	-
Total Compensatory Education	19,945	19,696	249
Total Added Needs	61,334	61,327	7
TOTAL INSTRUCTION	318,308	319,803	(1,495)
Supporting Services:			
Pupil Supporting Services			
Pupil Support			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	230	230	-
Supplies and materials	60	60	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Pupil Support	290	290	-

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Speech Therapist			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Purchased services	4,165	4,165	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Speech Therapist	<u>4,165</u>	<u>4,165</u>	<u>-</u>
Total Pupil Supporting Services	<u>4,455</u>	<u>4,455</u>	<u>-</u>
Instructional Support Services			
Improvement of Instruction			
Salaries	1,244	1,244	-
Employee benefits	278	270	8
Purchased services	1,863	1,863	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Improvement of Instruction	<u>3,385</u>	<u>3,377</u>	<u>8</u>
Education Media			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	1,381	1,381	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Education Media	<u>1,381</u>	<u>1,381</u>	<u>-</u>
Technology Assisted			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	2,689	2,668	21
Capital outlay	-	-	-
Other expense	-	-	-
Total Technology Assisted	<u>2,689</u>	<u>2,668</u>	<u>21</u>
Supervision and Direction			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Capital outlay	\$ -	\$ -	\$ -
Other expense	-	-	-
Total Supervision and Direction	-	-	-
Total Instructional Support Services	7,455	7,426	29
General Administration Support Services			
Board of Education:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	9,285	8,771	514
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	831	831	-
Total Board of Education	10,116	9,602	514
School Administration:			
Salaries	43,884	43,883	1
Employee benefits	21,595	21,609	(14)
Purchased services	1,148	1,066	82
Supplies and materials	300	300	-
Capital outlay	-	-	-
Other expense	866	866	-
Total School Administration	67,793	67,724	69
Total General Administration Support Services	77,909	77,326	583
Business Support Services			
Fiscal Services			
Salaries	14,033	14,033	-
Employee benefits	11,354	11,354	-
Purchased services	2,600	2,598	2
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Fiscal Services	27,987	27,985	2
Internal Services			
Salaries	356	356	-
Employee benefits	90	90	-
Purchased services	1,093	1,079	14
Supplies and materials	519	520	(1)
Capital outlay	2,876	2,876	-
Other expense	-	-	-
Total Internal Services	4,934	4,921	13

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Other Business Services			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Purchased services	1,847	1,847	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	4,155	4,155	-
Total Other Business Services	6,002	6,002	-
Total Business Support Services	38,923	38,908	15
Operations and Maintenance			
Operation and Maintenance:			
Salaries	20,513	20,955	(442)
Employee benefits	5,556	5,600	(44)
Purchased services	23,917	23,989	(72)
Supplies and materials	22,716	22,716	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Operations and Maintenance	72,702	73,260	(558)
Security			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	168	168	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Security	168	168	-
Total Operations and Maintenance	72,870	73,428	(558)
Pupil Transportation:			
Salaries	18,373	18,293	80
Employee benefits	21,892	21,976	(84)
Purchased services	17,343	17,293	50
Supplies and materials	8,154	8,116	38
Capital outlay	14,215	14,215	-
Other expense	200	15	185
Total Pupil Transportation	80,177	79,908	269
Central Support			
Central Support Services			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	53	53	-

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Supplies and materials	\$ -	\$ -	\$ -
Capital outlay	-	-	-
Other expense	-	-	-
Total Central Support Services	53	53	-
Pupil Accounting			
Salaries	1,403	1,403	-
Employee benefits	1,147	1,145	2
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Pupil Accounting	2,550	2,548	2
Total Central Support	2,603	2,601	2
TOTAL SUPPORTING SERVICES	284,392	284,052	340
Community Services:			
Direction			
Salaries	1,268	1,268	-
Employee benefits	311	311	-
Purchased services	-	-	-
Supplies and materials	2,062	2,062	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Direction	3,641	3,641	-
Recreation			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	595	595	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Recreation	595	595	-
Activities			
Salaries	1,248	1,037	211
Employee benefits	318	287	31
Purchased services	586	618	(32)
Supplies and materials	2,803	3,038	(235)
Capital outlay	-	-	-
Other expense	-	-	-
Total Activities	4,955	4,980	(25)

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Other			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Other	-	-	-
TOTAL COMMUNITY SERVICES	9,191	9,216	(25)
Payments to Others			
Title I Pass Through	7,423	14,903	(7,480)
TOTAL PAYMENTS TO OTHERS	7,423	14,903	(7,480)
TOTAL EXPENDITURES	619,314	627,974	(8,660)
EXCESS REVENUES (EXPENDITURES)	137,543	149,640	12,097
Other Financing Sources (Uses):			
Transfers Out:			
Lunch fund	(13,862)	(13,787)	75
TOTAL OTHER FINANCING SOURCES (USES)	(13,862)	(13,787)	75
NET CHANGE IN FUND BALANCE	123,681	135,853	12,172
Fund Balance, July 1	274,398	274,398	-
FUND BALANCE, JUNE 30	\$ 398,079	\$ 410,251	\$ 12,172

AuTrain-Onota Public School District

School Lunch Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
School lunch activities	\$ 6,887	\$ 6,736	\$ (151)
State aid	2,031	2,031	-
Federal sources	-		
Hot lunch	8,000	8,705	705
Fresh fruit and vegetables	7,550	7,550	-
USDA entitlements	1,547	1,547	-
USDA bonus	21	21	-
TOTAL REVENUES	<u>26,036</u>	<u>26,590</u>	<u>554</u>
EXPENDITURES:			
School lunch activities:			
Salaries	20,712	20,712	-
Fringe benefits	5,329	5,329	-
Purchased services	807	827	(20)
Supplies and materials	10,270	10,716	(446)
Capital outlay	2,780	2,780	-
Other expense	-	13	(13)
TOTAL EXPENDITURES	<u>39,898</u>	<u>40,377</u>	<u>(479)</u>
EXCESS REVENUES (EXPENDITURES)	(13,862)	(13,787)	75
OTHER FINANCING SOURCES:			
Operating transfer in	<u>13,862</u>	<u>13,787</u>	<u>(75)</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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DANIEL E. BIANCHI, CPA

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

AuTrain-Onota Public School District
PO Box 105
Deerton, Michigan, 49822

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the AuTrain-Onota Public School Districts as of and for the year ended June 30, 2007, which collectively comprise the AuTrain-Onota Public School District's basic financial statements and have issued our report thereon dated October 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the AuTrain-Onota Public School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the AuTrain-Onota Public School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the AuTrain-Onota Public School District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the AuTrain-Onota Public School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the AuTrain-Onota Public School District's financial statements that is more than inconsequential will not be prevented or detected by the AuTrain-Onota Public School District's internal control. We consider the deficiencies described in a separate letter to management dated July 20, 2007 as item 07-01 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the AuTrain-Onota Public School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the AuTrain-Onota Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and are described in the accompanying report to management dated October 5, 2007 as item 07-02.

This report is intended solely for the information and use of management, the audit committee, and Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 5, 2007



ANDERSON, TACKMAN & COMPANY, P.L.C.

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AuTrain-Onota Public Schools Report to Management Letter For the Year Ended June 30, 2007

Board of Education
AuTrain-Onota Public Schools
P.O. Box 105
Deerton, MI 49822

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the AuTrain-Onota Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the AuTrain-Onota Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the AuTrain-Onota Public School's internal control. Accordingly, we do not express an opinion on the effectiveness of the AuTrain-Onota Public School's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

07-01 – SEGREGATION OF DUTIES

Condition/Criteria: The accounting staff of the AuTrain-Onota Public Schools is made up of one individual, which does not allow for segregation of duties.

Board of Education
AuTrain-Onota Public Schools
Deerton, MI 49822

Effect: Because of the limited staff, there is an increased chance that misstatements in financial statements would not be prevent or detect on a timely basis.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred in the office staffs were large enough to provide optimum segregation of duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Karen Pawielski, Business Manager
- Corrective Action Planned:
 - The Board of Education closely monitors all payments and reviews the financial statements on a monthly basis.
- Anticipated Completion Date:
 - June 30, 2008

INSTANCE OF NON-COMPLIANCE

07-02 (REPEATED) – UNIFORM BUDGETING AND ACCOUNTING ACT (PA621)

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that school districts shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the AuTrain-Onota Public Schools had actual expenditures and budgeted expenditures for the General Fund that have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2007, the AuTrain-Onota Public Schools incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Effect: The AuTrain-Onota Public Schools is not in compliance with State Law.

Cause of Condition: Title I pass through amounts were requested after the final budget was approved. Therefore, creating the excess expenditures over budget.

Recommendation: The AuTrain-Onota Public Schools should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Karen Pawielski, Business Manager
- Corrective Action Planned:
 - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
 - June 30, 2008

Board of Education
AuTrain-Onota Public Schools
Deerton, MI 49822

This communication is intended solely for the information and use of the management, audit committee, AuTrain-Onota Public Schools Board of Education, and others within the organization, and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the AuTrain-Onota Public School's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 5, 2007



ANDERSON, TACKMAN & COMPANY, P.L.C.

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GREEN BAY
MILWAUKEE

October 5, 2007

Board of Education
AuTrain-Onota Public Schools
P.O. Box 105
Deerton, Michigan 49822

We have audited the financial statements of the AuTrain-Onota Public Schools for the year ended June 30, 2007, and have issued our report thereon dated October 5, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the AuTrain-Onota Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the AuTrain-Onota Public Schools compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the AuTrain-Onota Public Schools are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the AuTrain-Onota Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the AuTrain-Onota Public School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the AuTrain-Onota Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the AuTrain-Onota Public School's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the AuTrain-Onota Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the AuTrain-Onota Public Schools Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants